Discussion:

The Impact of Bank Supervision

Kandrac and Schlusche, " The Effect of Bank Supervision on Risk Taking: Evidence from a Natural Experiment"

Gopalan, Kalda and Manela, "Hub-and-Spoke Regulation and Bank Leverage"

Ivanov, Ranish and Wang, "Strategic Response to Supervisory Coverage: Evidence from the Syndicated Loan Market"

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Patricia C. Mosser

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Commonalities and differences

- Common message: Supervision *matters*
- Common empirical approach: diff-in-diff
- BUT
  - Different time periods
  - Different banking firms
  - Different supervisors
  - Different ‘treatments’
  - Different measures of impact

Economic results and implications

1. Convincing impacts on risk taking – and failure -- for small banks
   a. Early 1980s S&Ls were (nearly) all small
   b. OCC office closures: large banks excluded
   c. SNC program reporting change: Differential impact for small(er) vs. large banks
2. Sizing the economic impact
   a. Focus on risk and regulatory metrics rather than ‘business’ metrics. Why?
   b. Are these impacts really important?

Econometrics -- Identification

Common challenge: convincingly claim that their 'treatment' is the *only difference* between treated and untreated banks.

- OCC office closures:
  - common economic conditions(?)
  - Puzzle: how the factors that drive the OCC to close an office could impact treated/untreated banks.
- FHLB supervision of southwest S&Ls in early 1980s:
  - commodity/oil bubble and collapse
- SNC reporting changes by deal size:
  - more on size of potential bias?
  - 1999-2002 corporate credit crunch